

**PREPARED SURREBUTTAL TESTIMONY
OF
DEBORAH L. LANCASTER
ON BEHALF OF
CENTRAL ILLINOIS LIGHT COMPANY
DOCKET NOS. 00-0259,
00-0395, 00-0461 (Cons.)**

ILLINOIS
COMMERCE COMMISSION
SEP 27 1 50 PM '00
CHIEF CLERK'S OFFICE

1 Q1: Please state your name and business address.

2 A1: My name is Deborah L. Lancaster, and my business address is 300
3 Liberty Street, Peoria, Illinois 61602.

4 Q2: What is your current position at Central Illinois Light Company?

5 A2: I am employed by Central Illinois Light Company (CILCO) as Senior
6 Energy Supply Administrator.

7 Q3: Have you previously submitted testimony in this proceeding?

8 A3: Yes.

9 Q4: Please explain the purpose of your surrebuttal testimony.

10 A4: The purpose of my surrebuttal testimony is to comment on Illinois
11 Power's (IP) rebuttal testimony prepared by Leonard M. Jones and Mark
12 J. Peters, dated September 12, 2000. I'd like to comment specifically
13 on the answer to question 7 beginning on line 115. CILCO does not
14 disagree with the statement "IP does not require the planning reserve
15 for the purposes of providing transmission service to a customer." if
16 this statement refers to acquiring point-to-point transmission service.
17 CILCO served two retail customers in IP's territory from December 1999
18 through May 2000. CILCO delivered electrical energy to these customers
19 via point-to-point transmission. CILCO was not required to point to

20 a Designated Resource to deliver the energy to this customer. I am
21 aware of no process in place that requires a Designated Resource in
22 order to serve a customer via point-to-point transmission. However, the
23 preferred avenue used to deliver electrical energy to retail customers is
24 Network Integrated Transmission Service (NITS). CILCO has
25 discovered, through experience, different rules in place to serve a
26 customer using NITS. A transmission customer may obtain NITS only
27 after completing a NITS application followed by the signing of NITS
28 Operating and Service Agreements. During the NITS Application process,
29 a RES is required to point to a Designated Resource to serve non-
30 interruptible load.

31 On June 19, 2000, I attended a meeting at the IP facility located in
32 Decatur, IL. One of the purposes of this meeting was to clarify some of
33 the questions/requirements contained within the IP NITS application. This
34 meeting was attended by several CILCO and IP representatives and
35 Mr. Bob Latham of the Illinois Energy Consortium (IEC). CILCO, by
36 contract, is the RES for the IEC. During this meeting I referred to page 5
37 of 12, no.9, of the IP NITS for clarification. This section reads as follows:
38 9. Description of current and 10-year projection of Total Network
39 Resources. MAIN currently suggests a 17 – 20% planning reserve margin
40 of each year's maximum demand projection.

41 I asked Mr. Shawn Schukar, with IP, if the reason for this statement being
42 included in this application is to indicate that a RES must supply planning

43 reserves. Mr. Schukar answered by saying that the definition of a Firm
44 Network Resource is a capacity backed resource that is supplying
45 reserves. He said a RES must have a Firm Network Resource to serve
46 non-interruptible customers in IP's territory via NITS. CILCO did not feel
47 compelled to dispute Mr. Schukar's explanation of the requirements since
48 CILCO is fully aware of the North American Electric Reliability Council's
49 (NERC) definition of Firm Electrical Energy. The NERC Glossary of Terms
50 defines Firm Electrical Energy as electrical energy backed by capacity,
51 interruptible only on conditions as agreed upon by contract, system
52 reliability constraints, or emergency conditions and where the supporting
53 reserve is supplied by the seller. I then clarified the 17 – 20% as the level
54 of reserves for long term planning. He concurred. I then asked Mr.
55 Schukar if he agreed that MAIN suggests a 15% level of reserves for short
56 term planning and that since our RES contract with the IEC is for one year
57 or less, would it be acceptable to supply 15% reserves. Mr. Schukar
58 agreed.

59 As I mentioned earlier, Mr. Bob Latham of the IEC was also in attendance
60 at this meeting. Mr. Latham submitted Requests For Proposal to provide
61 electric supply to the IEC participating members located within IP's
62 territory. The contract was ultimately awarded to Ameren Energy Services.
63 In the Master Power Purchase and Sale Agreement, which was signed
64 Between Ameren Energy and CILCO, "energy supported by capacity and
65 reserves" was required. These reserves were acquired based on

66 information given to those of us in attendance at the June 19th meeting.

67 Page 5 of 12 of the NITS application that CILCO submitted to IP regarding
68 serving the IEC member schools shows that the Network
69 Resource for this non-interruptible network load includes reserves.

70 The rebuttal testimony of Mr. Jones and Mr. Peters strongly suggests that
71 IP has changed its position regarding reserves and is prepared to make a
72 statement which clarifies that IP does not require a RES to supply reserves
73 in order to serve a retail customer in IP's territory regardless of the type of
74 transmission the RES may wish to use. This is great news to CILCO
75 given the incremental cost of providing reserves.

76 In testimony prepared July 7, 2000 by Mr. Jones and Mr. Leonard, lines
77 161 – 163, they state:

78 "The market value for On-peak Non Firm Energy for each month is equal
79 to the market value for On-peak Firm Energy for each month divided by
80 1.15. The factor of 1.15 is related to the minimum planning reserve margin
81 that utilities are directed to have by the North American Reliability Council
82 ("NERC")."

83 CILCO's understands this statement to mean that to serve a
84 customer with Firm Energy a RES must secure and pay for an additional
85 15% to cover for reserves. This is an additional cost to serve customers
86 Firm Energy in IP's territory (discounted 15% for Non-firm Energy
87 according to IP's above mentioned proposal) and should be accounted for
88 by increasing the market value.

89 CILCO would fully support a statement from IP that a RES is not required
90 to provide reserves to serve retail customers in IP's territory regardless
91 of which type of transmission a RES wishes to use. However, if IP would
92 make this statement now, the cost to IEC member participants in IP's
93 territory has already been impacted based on the directions CILCO and
94 the IEC were given.

95 If IP is not changing its position in its rebuttal testimony and a RES is
96 required to provide reserves to serve retail customers in its territory,
97 CILCO has provided a detailed analysis showing the incremental costs of
98 meeting such a requirement in response to a data request by Commission
99 Staff. The analysis shows the pricing components that make up the total
100 price of energy, capacity, and reserves. Based on a typical commercial
101 and industrial customer load profile for the period of one calendar year, the
102 cost of the energy only piece is \$35.12/Mw, the cost of the 15% reserve is
103 \$.61/Mw and the cost to acquire capacity is \$4.07/Mw.

104 Q5: Does this conclude you prepared surrebuttal testimony?

105 A5: Yes, it does.